

COMMONWEALTH OF KENTUCKY  
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

THE APPLICATION OF GREEN RIVER VALLEY	)	
WATER DISTRICT, OF BARREN, HART, AND	)	
LARUE COUNTIES, FOR (1) A CERTIFICATE	)	
OF PUBLIC CONVENIENCE AND NECESSITY,	)	
AUTHORIZING AND PERMITTING SAID WATER	)	
DISTRICT TO CONSTRUCT A WATERWORKS	)	
CONSTRUCTION PROJECT, CONSISTING OF	)	
EXTENSIONS, ADDITIONS, AND IMPROVEMENTS	)	CASE NO. 7672
TO THE EXISTING SYSTEM OF THE DISTRICT;	)	
(2) APPROVAL OF THE PROPOSED PLAN OF	)	
FINANCING FOR SAID PROJECT; AND (3)	)	
APPROVAL OF THE INCREASED WATER RATES	)	
PROPOSED TO BE CHARGED BY THE DISTRICT	)	
TO ITS CUSTOMERS.	)	

O R D E R

On November 28, 1979, the Green River Valley Water District, (hereinafter Applicant or Green River Valley) filed an application with this Commission requesting (1) a "Certificate of Public Convenience and Necessity" authorizing the construction of extensions, additions, and other improvements to Applicant's existing water treatment plant and distribution system; (2) approval of the proposed method for financing the project; and (3) approval of adjustments in its water service rates.

The Commission scheduled the matter for hearing January 4, 1980, at the Commission's offices in Frankfort, Kentucky.

On December 3, 1979, the Consumer Intervention Division of the Attorney General's office filed a motion to intervene in this proceeding. This was the only party of interest formally intervening herein.

On January 24, 1980, the Commission entered an Order wherein Applicant was granted a Certificate of Public Convenience and Necessity and was authorized to finance the proposed construction project by the issuance of \$1,873,000 in water revenue bonds at an interest rate not to exceed 5%. The Commission further ordered that Applicant's proposed rates be denied in that the rates were discriminatory, unfair, unreasonable, and unjust; and that Applicant should file a revised schedule of rates with this Commission within ninety days from the date of the Order.

On April 24, 1980, Green River Valley filed an amended application with this Commission requesting approval of adjustments in its water service rates.

The Commission set the matter for hearing June 12, 1980, for testimony regarding the proposed adjustment of rates.

#### COMMENTARY

Green River Valley Water District is a non-profit water distribution system which serves approximately 2,011 consumers in the Kentucky Counties of Barren, Hart, and Larue. Applicant's present source of supply is Rio Springs with peak-season purchases from the City of Glasgow. The present construction project includes expanding Applicant's present plant capacity to enable Applicant to meet its increasing consumption demand thereby eliminating the need to purchase water at a cost equal to or greater than Applicant's selling price.

#### TEST YEAR

Applicant proposed and the Commission has adopted the twelve (12) month period ending September 30, 1979, as the test period for determining the reasonableness of the proposed rates. In utilizing the historic test period the Commission has given full consideration to known and measurable changes where appropriate.

#### VALUATION

The Commission finds from the evidence of record that Applicant's Net Original Cost at September 30, 1979, is as follows:

Total Original Cost of Existing Plant Per Utility Books	\$4,305,717
Add:	
Materials and Supplies	\$ 21,275
Prepayments	3,177
Working Capital	<u>30,918</u>
Total Additions	\$ 55,370
Deduct:	
Reserve for Depreciation	\$ 597,999
Contributions in Aid of Construction	<u>1,207,211</u>
Total Deductions	\$1,805,210
Net Investment	<u>\$2,555,877</u>

### REVENUES AND EXPENSES

Applicant proposed several pro-forma adjustments to revenues and expenses in Exhibit III of the amended application. The Commission is of the opinion that the adjustments generally are proper, and, therefore, should be accepted for rate-making purposes with the exception of Purchased Water. Inasmuch as Applicant will have no need to purchase water from other systems subsequent to completion of the current construction project, the Commission is of the opinion that Applicant will have no Water Purchases and, therefore, the adjustment of (\$5,216) should be reduced to (\$5,416) resulting in zero (0) Water Purchases Expense. As shown below, the net effect of the adjustments is to increase Net Loss by \$42,879 to \$53,104.

	<u>Actual</u>	<u>Pro-forma Adjustments</u>	<u>Adjusted</u>
Operating Revenues	\$456,741	\$123,240	\$579,981
Operating Expenses (Excluding Depreciation)	247,346	14,496	261,842
Depreciation Expense	103,600	36,000	139,600
Operating Income	105,795	72,744	178,539
Interest Expense	116,020	115,623	231,643
Net Income	<u>(\$10,225)</u>	<u>(\$42,879)</u>	<u>(\$53,104)</u>

### REVENUE REQUIREMENTS

Applicant maintains that gross annual revenues of approximately \$653,991 will be required to pay operating expenses, meet debt service requirements, and maintain adequate fund balances as required by Applicant's bond ordinances. The Commission has considered Applicant's position and concludes that \$653,991 in gross annual revenues, granted herein, will be necessary to allow Applicant the opportunity to pay operating expenses, meet debt service requirements, and maintain an adequate balance in its depreciation fund.

### SUMMARY

The Commission, after consideration of the evidence of record and being fully advised, is of the opinion and so finds that the rates proposed by Applicant and set forth in Appendix "A" attached hereto and made a part hereof will produce gross annual revenues of approximately \$653,991, and will be the fair, just, and reasonable rates for Applicant.



APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY  
COMMISSION IN CASE NO. 7672 DATED JULY 2, 1980.

The following rates are prescribed for all general customers in the entire area served by Green River Valley Water District. All other rates and charges not mentioned specifically herein shall remain the same as those in effect prior to the date of this Order.

RATES: Monthly

Consumption Blocks

5/8-Inch x 3/4-Inch Meter

Rates for Each Block

First 2,000 gallons  
Next 8,000 gallons  
Next 10,000 gallons  
Next 30,000 gallons  
Next 50,000 gallons  
Over 100,000 gallons

\$ 6.00 (Minimum Bill)  
1.65 per 1,000 gallons  
1.30 per 1,000 gallons  
1.00 per 1,000 gallons  
.80 per 1,000 gallons  
.75 per 1,000 gallons

1-Inch Meter

First 5,000 gallons  
Next 5,000 gallons  
Next 10,000 gallons  
Next 30,000 gallons  
Next 50,000 gallons  
Over 100,000 gallons

\$10.95 (Minimum Bill)  
1.65 per 1,000 gallons  
1.30 per 1,000 gallons  
1.00 per 1,000 gallons  
.80 per 1,000 gallons  
.75 per 1,000 gallons

1½-Inch Meter

First 10,000 gallons  
Next 10,000 gallons  
Next 30,000 gallons  
Next 50,000 gallons  
Over 100,000 gallons

\$19.20 (Minimum Bill)  
1.30 per 1,000 gallons  
1.00 per 1,000 gallons  
.80 per 1,000 gallons  
.75 per 1,000 gallons

2-Inch Meter

First 16,000 gallons  
Next 4,000 gallons  
Next 30,000 gallons  
Next 50,000 gallons  
Over 100,000 gallons

\$27.00 (Minimum Bill)  
1.30 per 1,000 gallons  
1.00 per 1,000 gallons  
.80 per 1,000 gallons  
.75 per 1,000 gallons

All meters shall be read to the nearest one hundred gallons each month.

The monthly bill for a customer served by a 5/8" x 3/4" meter shall be \$6.00 for metered usages of zero (0) to two thousand (2,000) gallons. The additional charge for usage in excess of two thousand gallons shall be computed to the nearest one hundred (100) gallons. Monthly bills for customers served by meters larger than 5/8" x 3/4" shall be computed in a similar manner.

Sales For Resale Rate

Horse Cave	\$.55 per 1,000 gallons
Cave City	\$.55 per 1,000 gallons
BILLING AND COLLECTION CHARGE PER CUSTOMER FOR HORSE CAVE & CAVE CITY	\$3.00 per Month
Munfordville	\$.55 per 1,000 gallons

All meters shall be read to the nearest one hundred gallons each month.